

# ICPS newsletter<sup>®</sup>

## “European Capital” and ICPS get together to talk Kyiv’s future

***“European Capital,” a group of Kyiv City Council deputies, and the International Centre for Policy Studies have launched a special public dialog on the future of Ukraine’s capital. The two organizing partners believe firmly that municipal policy-making ought to take into account the competing interests of stakeholders and recognize the need to improve Kyiv’s image in the world. Its low international rating and untransparent decision-making process are seen as risk factors by foreign investors—and that’s why global investment flows currently bypass Ukraine’s capital. Time to do something about it!***

Specialists in urban development say that when a city passes the 700,000-800,000 mark, making decisions in a centralized fashion becomes ineffective. ICPS and “European Capital,” a group of Kyiv City Council deputies, are proposing a new approach to municipal policy-making—through a broad dialog with the government, business community, media, independent think-tanks, and other stakeholders, to raise the most burning issues. We would like to see public debates and consultations become the core of the policy-making process and the basis for a series of new municipal policy institutions.

The quality of municipal policy needs to be the key focus of urban development. The essential attributes of high-quality policy are that they:

- develop a vision of the future that will make it possible to unite public efforts and initiatives;
- offer understandable rules of the game;
- provide legitimate mechanisms for promoting and defending specific interests.

To strengthen Kyiv’s position in the global panoply of capitals, it is high time to launch an open dialog to identify ways to improve living standards, the investment climate, and the competitiveness of the city, and to develop a public vision of Kyiv’s future.

According to Lev Partskhaladze, head of the “European Capital” deputy group, Kyiv needs a vision of what the city should become. And this vision has to be shared by the city’s residents, by its elite, and by

its mayor. “The goal of our joint initiative is to develop such a vision of Kyiv. We want to analyze the city’s potential, its strengths and weaknesses, its problems and priorities. The results of these public debates will be submitted to the Mayor and City Council for review.”

In September and October 2004, “European Capital” and International Centre for Policy Studies are organizing a series of roundtables to shape this common vision of what’s wrong with the capital, what’s behind these problems, and what can be done to make things better in Kyiv. The debates will specifically focus on:

- a vision of the residential services market in our future Kyiv (this event took place on 16 September);
- vision of the transport services market in our future Kyiv (this takes place on 7 October);
- vision of the environment in our future Kyiv (this is scheduled for 21 October).

Once the results of these roundtables are in, the organizers will hold a wrap-up roundtable called “The vision of Kyiv as European Capital.”

### Kyiv is losing ground among global capitals

Although compared to other Ukrainian cities, the capital stands out in terms of economic development, household incomes and living standards, Kyiv lags behind the capitals of other countries. Gross regional product, calculated per square kilometer of the city’s territory, is US \$2.1mn in Kyiv. This is 5 times

### Welcome to the debate!

The International Centre for Policy Studies jointly with “European Capital,” a group of Kyiv City Council deputies, is organizing its second roundtable on developing a common vision of transport services in Kyiv on 7 October. If you would like to participate, contact Tetiana Bega by phone at (380-44) 236-4477 or via e-mail at [office@icps.kiev.ua](mailto:office@icps.kiev.ua).

below Moscow, 15 times below Rome, and 47 times below Vienna or Brussels.

The City budget also allocates less per Kyiv resident than other capitals of European countries—for instance, 33 times less than what Helsinki and Vienna spend. Kyiv has a lower life expectancy, far worse living conditions, and higher numbers of children per kindergarten and students per educational facility. With a history and culture are at least as old and exciting as those of other European capitals, Kyiv nevertheless has vastly fewer museums and foreign visitors.

The Economist, a top-notch London weekly, rated Kyiv, along with Bucharest, the lowest among Eastern European cities, while Mercer Human Resource Consulting placed Kyiv at the bottom of the second hundred, together with African cities. Among the key reasons behind these low ratings are poor municipal infrastructure and sanitary conditions, high levels of corruption, poor enforcement of law and order, and so on.

Kyiv’s low ratings signal to investors and international corporations about the high risk of putting together a project here. The result? Ukraine’s capital is getting fewer investment dollars than it could. ■

To view the presentation, “Kyiv faces a choice,” (in Ukrainian) which launched a series of debates on Kyiv’s development strategy, visit the ICPS internet library at <http://www.icps.kiev.ua/library/>. For more information, contact Volodymyr Nikitin by phone at (38044) 236-4477, or via e-mail at [vnikitin@icps.kiev.ua](mailto:vnikitin@icps.kiev.ua).

# Roundtable produces recommendations for reforming Kyiv's residential services

***Stakeholders and participants in the residential services market say key obstacles to improving the quality of residential services in Kyiv are monopolization, imperfect regulation, poor cooperation among stakeholders, and passive consumers. Although the various stakeholders see ways of reforming the sector somewhat differently, they were unanimous in saying that it made sense to involve the public in reforming the capital's residential services market***

On 16 September 2004, the International Centre for Policy Studies and "European Capital," a group of Kyiv City Council deputies, held a joint roundtable entitled "A Vision of the Future Residential Services Market in Kyiv." The roundtable aimed at developing a common vision for the future of Ukraine's capital, providing independent analysis of the residential services market for residents, and presenting stakeholder opinions on current problems and their possible solutions.

The roundtable invited representatives of different interest groups, including government bodies, residential services providers, community organisations, independent experts, and journalists. ICPS economist Ildar Gazizullin presented an introductory overview of the current situation and options for developing the residential services market (for details, see [www.icps.kiev.ua/library/show.html?3](http://www.icps.kiev.ua/library/show.html?3)).

After a brief discussion, representatives of four stakeholders began to work in groups to provide answer to these questions:

- What is the purpose of reforming Kyiv's residential services market? Which indicators can prove the success of any reforms to Kyiv's residential services market?
- What aspects of residential services keep Kyiv from becoming a great European capital? What are the underlying causes?
- What has been done so far to reform Kyiv's residential services market? What have been the results?
- What are the options for reforming this market? What are advantages and drawbacks of these options?

## A common understanding of key problems

Among problems facing Kyiv's residential services market, participants from every group mentioned monopolism in specific market segments—above of all, KyivVodoKanal, the waterworks, and KyivEnergo, the power utility—and lack of incentives and mechanisms for growing

competition. People also mentioned the ineffectiveness of Kyiv's residential services market, which leads to problems with unfulfilled obligations on all sides, especially to customers who either don't pay for services or complain about the poor quality of the services—or both.

Critics of the current Administration accused the Government of not being willing to delegate power to the population while itself taking little responsibility for the state of affairs. Participants also noted the passivity of the general public in pushing for reforms, in particular organizing associations of apartment owners, and their low level of awareness of government actions on the capital's residential services market.

Among the roots of these problems, participants most often mentioned flawed legislation that was also not properly enforced. In particular, there is no regulation of ownership rights for land and residential premises. Some participants said this was impeding the development of Kyiv's residential services market. Even representatives of the government indirectly acknowledged that current legislation was imperfect and contradictory.

All the groups agreed that previous attempts to reform the city's residential services were a failure. Among the key shortcomings:

- reform programs were developed without taking into account financial needs, so the majority of measures envisaged were never implemented;
- market players did not take part in developing reform programs and those who did develop them did not thoroughly analyze all factors;
- target groups did not feel the impact of the programs;
- the majority of the improvements were of a temporary nature.

## Proposals from the floor

According to most participants, the ultimate goal of reforming Kyiv's residential services

market has to be to improve the quality of life for the general population by improving the quality of residential services rendered. At the same time, participants said that reforms need to also include protecting the interests of the sector's enterprises, that is, at ensuring their financial stability and the development of their infrastructure.

The group work produced eight general proposals for improving Kyiv's residential services market:

- to engage the public in reforms: ensure mandatory involvement of apartment owners in associations and the community in the decision-making process;
- to provide government support for reform: economic incentives for setting up apartment owners' associations;
- to separate the functions of managing and servicing residential premises: reorganize the building maintenance and services system;
- to improve the quality of public policy: economic and legal support for developing reform programs;
- to resolve the issue of social security: provide support to underprivileged categories of consumers and full compensation to service providers for blanket privileges and subsidies;
- to involve the private sector: set up private maintenance and building services offices and clearly determine what parts of the state assets should not be transferred into private ownership;
- to introduce training for specialists in owners' associations;
- to establish the necessary conditions for competition on the residential services market.

The various interest groups noted which problems they wanted to see resolved the most. The public utility companies wanted to regulate compensation for subsidized services and timely payments from customers, and said it was important to involve highly-qualified personnel in the sector. Independent experts pointed out the need to decentralize management of the sector and to involve the public in reforming the residential services market. ■

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